



SUBSECTION 34(2) INCOME TAX ACT 1967

NAM LEONG DEPARTMENT STORE (MUKAH) SDN BHD
V.
DIRECTOR GENERAL OF INLAND REVENUE
APPEAL NO.: MYY-14-1-2/2024

 HIGH COURT OF MIRI

 YA DEAN WAYNE DALY

 2ND FEBRUARY 2026

The Taxpayer is involved in general trading activities, mainly in managing several departmental stores. The Taxpayer had written-off several debts as bad debts and claimed deductions from its gross income for the Year of Assessment (“YA”) 2011.

The Director General of Inland Revenue (“DGIR”) disallowed the Taxpayer’s bad debts claim pursuant to subsection 34(2) of the Income Tax Act 1967 (“ITA 1967”) in relation to the bad debts written-off and raised Notices of Additional Assessment (“Forms JA”) for YA 2011. On 05.01.2024, the Special Commissioners of Income Tax (“SCIT”) dismissed the Taxpayer’s appeal and upheld the Forms JA for YA 2011 raised against the Taxpayer. Dissatisfied with the SCIT’s decision, the Taxpayer further appealed to the High Court.

The Taxpayer referred to subsection 34(2) of the ITA 1967 and the DGIR’s Public Ruling No. 1/2002, which provide guidance on how a debt can be “reasonably estimated” as “irrecoverable”. The Taxpayer argued that the debts ought to be written off as bad and therefore should be allowed as deduction for YA 2011 as (i) three reminders were sent to the debtors between years 2008 to 2009; (ii) three of the debtors had ceased to carry on business since year 2011 and any legal action taken before the claims become statute-barred is not cost-effective; (iii) a Letter of Demand (“LOD”) was eventually sent to each debtor and each LOD was issued three years after the debt occurred; and (iv) the amounts owed by the debtors were relatively small and any further action to pursue the debt is not cost-effective.

The DGIR on the other hand contended that the Taxpayer’s debt does not constitute as bad debt under subsection 34(2) ITA 1967, therefore it could not be allowed as deductions from its gross income for YA 2011. In the absence of any documented evidence of reminder notices coupled with the absence of any substantive arbitration or negotiation proceeding of the disputed debts against the debtors, the DGIR argued that the Taxpayer took no effort to recover the said debts. The Taxpayer also failed to provide a satisfactory detailed explanation as to the nature and particulars of the debts.

On 02.02.2026, the High Court affirmed the decision by the SCIT and dismissed the Taxpayer’s appeal.

Editorial Note

- *The Taxpayer has the right to appeal to the Court of Appeal within 30 days from the date of the decision.*